

Message Text

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AMCONSUL ZAGREB POUCH

UNCLAS BELGRADE 6854

DEPARTMENT PASS OPIC FOR E. HAWKINS

E.O. 11652: N/A
TAGS: BGEN
SUBJECT: APPLICATION FOR POLITICAL RISK INVESTMENT INSURANCE
BY ALLIED TUBE AND CONDUIT CORP.

REF: OPIC MEMORANDUM DATED JULY 27, 1977

1. EMBASSY SUBMITS THE FOLLOWING INFORMATION REGARDING
THE AGREEMENT BETWEEN ALLIED TUBE AND CONDUIT CORP. AND
METALIKU - POCINKOVANIH PROIZVODA, DJAKOVICA FOR THE
LICENSING OF TUBEMAKING TECHNOLOGY.

2. SCOPE OF INVESTMENT. UNDER THE LICENSING AGREEMENT,
ALLIED TUBE AND CONDUIT WILL BE PROVIDING METALIKU WITH PRO-
PRIETARY KNOW-HOW AND PATENT RIGHTS FOR THE PRODUCTION OF
1/2 INCH TO 3 INCH COATED AND UNCOATED GALVANIZED STEEL
TUBING. ROYALTY PAYMENTS FOR THE KNOW-HOW AND PATENT RIGHTS
WILL AMOUNT TO DOLS 1.6 MILLION. THIS AGREEMENT IS PART OF A
BROADER CONTRACT COVERING THE PURCHASE OF TUBE-MAKING EQUIPMENT
FROM THE FRENCH FIRM DMS WHICH ALONG WITH ALLIED TUBE AND
CONDUIT SUBMITTED A JOINT BID FOR THE INSTALLATION OF THE NEW
FACILITY. WHEN IN FULL OPERATION THE FACILITY WILL PRODUCE
29,000 TONS OF GALVANIZED STEEL TUBING PER YEAR.

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3. ECONOMIC IMPACT. METALIKU WILL BE THE FIRST YUGOSLAV ENTERPRISE
TO PRODUCE GALVANIZED STEEL TUBING, AND CONSEQUENTLY
A MARKET FOR PRODUCTION IS CONSIDERED ASSURED. METALIKU EXPECTS
TO EXPORT A SUBSTANTIAL PORTION OF PRODUCTION AND
REPORTEDLY SIGNED CONTRACTS FOR THE EXPORT OF 30 PERCENT
OF FIRST-YEAR OUTPUT TO ENDUSERS IN FRANCE. THE ENTERPRISE,

HOWEVER, HAS NO IMMEDIATE PLANS TO SELL IN THE NORTH AMERICAN MARKET. APPROXIMATELY 200 WORKERS WILL BE EMPLOYED IN THE NEW FACILITY. ALTHOUGH NOT LARGE IN NAGER, THESE JOBS WILL HAVE SIGNIFICANT POSITIVE IMPACT ON THE LOCAL ECONOMY. (DJAKOVICA, WHERE METALIKU IS LOCATED, IS A SMALL TOWN IN THE PROVINCE OF KOSOVO, THE LEAST DEVELOPED OF YUGOSLAVIA'S REPUBLICS AND PROVINCES).

4. PUBLIC REACTION. EMBASSY FORESEES NO ADVERSE PUBLIC REACTION TO THE LICENSING AGREEMENT.

5. U.S. INTERESTS. TRANSFER OF TECHNOLOGY AS PROVIDED IN THE AGREEMENT BETWEEN METALIKU AND ALLIED TUBE AND CONDUIT CONFORM TO LONG-TERM U.S. POLICY INTERESTS OF EXPANDING AND STRENGTHENING ECONOMIC TIES BETWEEN THE TWO COUNTRIES.

6. FOREIGN GOVERNMENT APPROVAL. METALIKU HAS NOT YET APPLIED FOR REGISTRATION OF THE AGREEMENT WITH THE FEDERAL COMMITTEE FOR ENERGY AND INDUSTRY BUT IS EXPECTED DO SO IN THE WEEK OF OCT 10. (UNDER OPIC'S AGREEMENT WITH YUGOSLAVIA REGISTRATION WITH THE COMMITTEE CONSTITUTES FOREIGN GOVERNMENT APPROVAL). WE WILL CONTACT THE COMMITTEE SHORTLY THEREAFTER TO INQUIRE ON THE STATUS OF METALIKU'S APPLICATION.
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